

**“It
shouldn’t
be tough
to beat
1980”**

(touch wood)

What Is Revelstoke

Revelstoke's most significant business consists of 99 stores located throughout western Canada, serving primarily "do-it-yourself" retail customers as well as tradesmen and builders. These stores are referred to as "home improvement centres" as each one represents a combination hardware store, lumber yard, home decorating centre, building material dealer, carpet store and supplier of electrical, plumbing and heating equipment. In essence, what were once lumber yards have now evolved into stores that offer one-stop shopping for customers wishing to complete any type of home building, decorating or repair project.

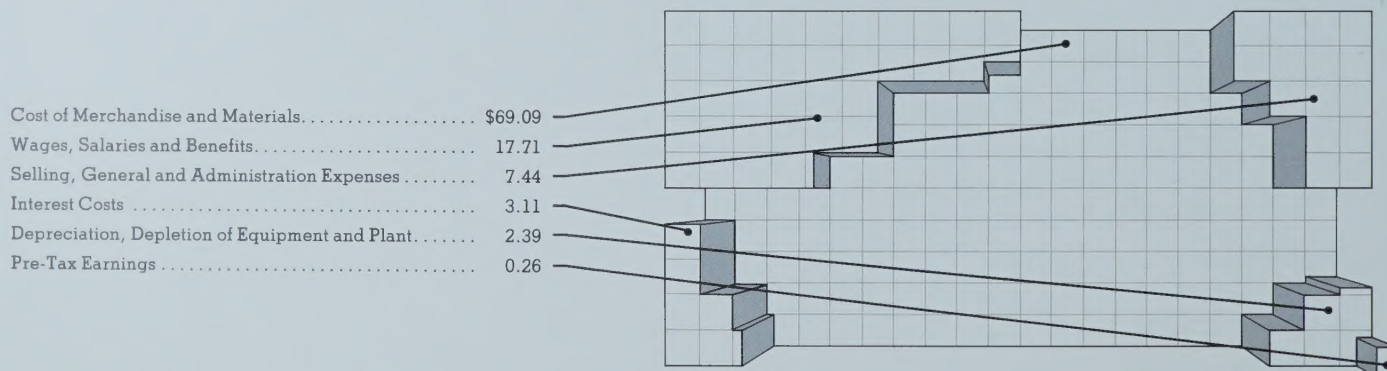
The Company is also in the business of producing redi-mix concrete with

22 plants in Alberta, Saskatchewan and British Columbia, and in the lumber manufacturing business with three mills in Alberta and one mill in British Columbia. The principal customers of the concrete plants are builders, government agencies, homeowners and farmers. While a majority of the lumber produced by the mills is either sold in Canada or exported to the United States, the mills also serve as a major source of supply for Revelstoke's own stores.

The Company's retail, concrete and lumber businesses are organized into three operating "Divisions" which are closely related to one another in terms of integrated management, common customers and inter-

company sales. First and foremost, however, Revelstoke is an organization of men and women committed to attracting, satisfying and retaining customers who build for themselves and others. The existence and success of the Company is based upon its ability to excel in serving customers through having the best people available in the industry.

Breakdown Of Every \$100 Of Sales



1980 At A Glance

For The Years Ended December 31

	Change 1980 - 1979	1980	1979
Total Dollars:			
Sales	- 0.9%	\$204,575,000	\$206,413,000
Pre-Tax Earnings	- 96.1%	\$ 536,000	\$ 13,665,000
Income Taxes on Earnings	- 106.5%	\$ (357,000)	\$ 5,533,000
Net Earnings for Shareholders	- 89.0%	\$ 893,000	\$ 8,132,000
Cash Flow	- 48.0%	\$ 6,120,000	\$ 11,758,000
Common Share Dividends Paid	+ 12.7%	\$ 1,360,000	\$ 1,207,000
Capital Expenditures	- 5.7%	\$ 11,406,000	\$ 12,096,000
Per Share:			
Sales	+ 0.3%	\$ 51.44	\$ 51.29
Earnings	- 89.9%	\$ 0.20	\$ 1.99
Cash Flow	- 47.3%	\$ 1.54	\$ 2.92
Common Dividends Paid	+ 13.3%	\$ 0.34	\$ 0.30
Performance Measurements:			
Asset Turnover			
(Sales ÷ Assets)		1.98	2.16
Return on Sales			
(Net Earnings ÷ Sales)		x0.44%	x3.94%
Return on Assets			
(Net Earnings ÷ Assets)		=0.87%	=8.50%
Leverage Factor			
(Assets ÷ Equity)		x2.51	x2.79
Return on Shareholders' Equity			
(Net Earnings ÷ Equity)		=2.18%	=23.71%

Earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year which were 3.977 million in 1980 and 4.024 million in 1979.

Performance measurements are calculated using the asset and shareholders' equity balances at the beginning of each year.

President's Report

1980 Highlights

- Total sales at \$204,575,000 were slightly lower than 1979.
- Earnings decreased to \$893,000 or \$.20 per common share compared with \$8,132,000 or \$1.99 per share in the previous year.
- The common shareholders received dividends of \$.34 per share compared with \$.30 per share in 1979.
- Retailing accounted for 74.4% of the Company's sales, redi-mix concrete 18.9% and lumber manufacturing 6.7%.
- The dominant portion of Revelstoke's sales and earnings were generated in Alberta, followed by British Columbia, Saskatchewan and Manitoba.
- Capital expenditures totalled \$11,406,000, including \$4,860,000 in the Retail Division, \$3,260,000 in the Concrete Division and \$2,620,000 in the Lumber Division. In 1979 capital expenditures amounted to \$12,096,000.

Review Of 1980

From the standpoint of financial results, 1980 was not one of our better years. This was not a surprise and each of my reports to the shareholders last year forewarned that this would be the case. Stating that, however, does not make the experience any more enjoyable.

Benjamin Disraeli once advised: "Never complain and never explain." Unfortunately, such an option is not available to me. Perhaps history is repeating itself for there are many parallels between what the Company encountered in 1980 and what happened a decade earlier in 1970. Revelstoke's performance in both years was badly affected by depressed lumber prices, a sharp drop in housing starts throughout the prairie provinces, and a dismal agricultural economy.

Starting in 1970 from a position literally in the basement, the Company provided its shareholders with 10 years of creditable performance during which time the compound rate of growth was over 20% in total sales and over 25% in earnings per share. This record, however, was not without periodic downward interruptions which served to remind us of the cyclical nature of certain parts of our business. When most of the external factors affecting Revelstoke's markets turn downward at the same time, it is also difficult to react fast enough in reducing non-fixed expenses. Revelstoke experienced such a year in 1980 when the Retail Division's sales were basically flat, while sales in the Concrete and Lumber Divisions decreased 7.4% and 6.5% respectively, compared with the prior

year. In the Retail and Concrete Divisions, sales were adversely affected by a sizeable decline in housing construction across the prairie provinces, including Alberta. In the Lumber Division, sales were considerably below last year, despite slightly higher shipments, as a result of the slump in lumber prices.

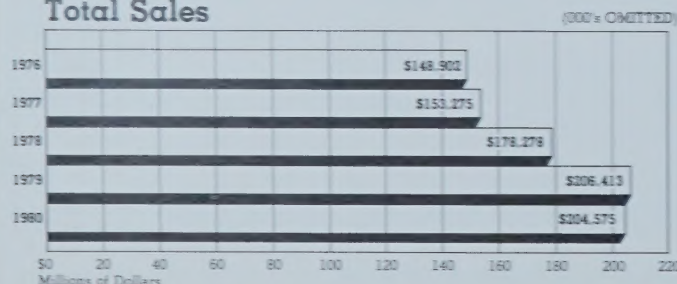
Under these circumstances, all three Divisions recorded a sharp decline in operating profits in 1980. With the Retail Division, operating profits were squeezed by higher expenses and lower gross margins which were not offset by an increase in sales. With the Concrete Division, operating profits were mainly reduced by a decrease in volume. The largest drop, however, occurred in the Lumber Division where higher production costs and lower prices for lumber caused the operating profit to decline by \$6,776,000 into a loss position.

Financial Position

The Company's total assets increased in 1980 to \$115,403,000 compared with \$103,150,000 at the end of 1979. Total shareholders' equity declined during the year to \$38,960,000 compared with \$41,071,000 at the end of the prior year. This reduction primarily reflected Revelstoke's purchase of its own shares. In 1980 Revelstoke's working capital decreased to \$19,457,000 at the end of the year compared with \$27,657,000 a year earlier.

During 1980, the Company's capital expenditures amounted to \$11,406,000, including \$603,000 of expenditures which were financed through sale and leasebacks, compared with

Total Sales



\$12,096,000 in the prior year. In 1980, the Retail Division accounted for approximately 42.6% of Revelstoke's total capital expenditures.

Unlike many retailers, the Company owns most of the properties associated with its business. Every two years, Revelstoke follows a policy of obtaining independent appraisals of the land and buildings at its principal locations. The appraised value of these properties at December 31, 1980 was \$41,647,000 compared with their stated book value of \$9,517,000 at that date.

Our People

There is a tendency for companies to measure success strictly by their financial results. While earnings are essential to support an enterprise's growth and survival, we believe that the achievement of above average long-term performance depends on having talented, enthusiastic and highly motivated people. Revelstoke is primarily a marketing enterprise whose mission is to create and satisfy an ever increasing number of customers. Every day our people, throughout the Company and across western Canada, are handling an immense number of transactions. As few of Revelstoke's products are unique, we rely on having the best people in our business who are committed to giving customers the best service.

In essence, we view the quality and spirit of our people as being even more important than Revelstoke's financial resources. This involves stimulating the personal development of the men and women in our Company who are seeking advancement, promoting from within wherever it is possible to do so, and offering effective training programs. As we grow in size, we also know the necessity of having to battle constantly against the seduction of becoming a bureaucracy. Categorically, no one at

Revelstoke is just a number and every position is meaningful to the success of one of our stores, plants or mills or the ability of the head office to support these operations.

Basically, all of the people in our Company are in partnership together with the shareholders which means both groups must share in the benefits of Revelstoke's success. For a partnership to work, one must avoid a "we and they" attitude between employees and management or the shareholders. At our Company we also strongly believe it is important for everyone to enjoy working together and to identify as being part of "the Revelstoke family." We recognize that individuals only excel in their occupations when they take pride and pleasure in what they are doing.

Nine years ago Revelstoke initiated an Employee Savings and Stock Purchase Plan, giving salaried employees the opportunity to purchase the Company's common shares on a basis whereby for every \$2 an employee contributes to the plan, the Company contributes \$1. The plan is administered by a Trust Company which purchases the shares through the Toronto Stock Exchange. The purpose of the plan is to encourage as many employees as possible to become shareholders of the Company and thereby gain further benefits from the future success of Revelstoke. Over 40% of all eligible salaried employees are currently participating in the plan.

Our Markets

Last year approximately 63.2% of the Company's total sales were generated in Alberta, 22.5% in British Columbia and 14.3% in Manitoba and Saskatchewan. Revelstoke is the largest retailer of lumber, building materials and home improvement products, and the largest independent supplier of redi-mix concrete in Alberta. In addition, the Company

operates three lumber mills in that province.

In British Columbia, Revelstoke's second largest market, sales at almost all of the stores and concrete plants benefited last year from a 37.3% increase in housing starts. This was in marked contrast to the prairie provinces where housing starts decreased 19.8% in Alberta, 46.8% in Saskatchewan and 55.0% in

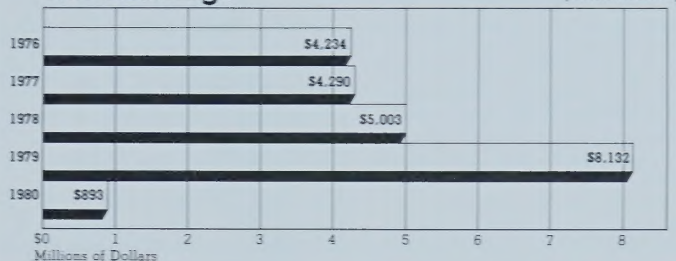
business is still conducted in rural and farm communities.

Inflation

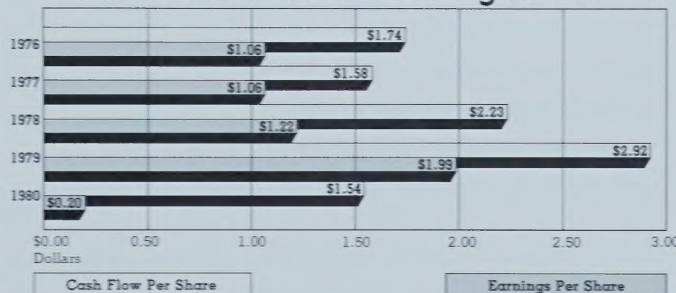
The Company monitors the rate of inflation in the selling price of the products sold by all three Divisions. This is an easy task in the Concrete and Lumber Divisions as their products usually are generic in

Net Earnings

(000's OMITTED)



Cash Flow Per Share / Earnings Per Share



Manitoba compared with 1979. This had a direct impact on the Company's retail and concrete businesses.

The Retail Division was also adversely affected in 1980 by expectations on the part of farm customers of a poor crop year. While in recent years a number of large stores have been opened in metropolitan markets, a significant portion of Revelstoke's

character and limited in number. The nature of our concrete and lumber businesses also makes the task of measuring productivity gains or losses relatively straightforward.

In the case of the Retail Division, which accounts for close to three-quarters of Revelstoke's sales, the overall rate of price increases in the mix of products sold by the stores is

closely monitored through a computer model. During 1980, we estimate that the price of the goods sold by our Retail Division experienced an average increase of approximately 1.0% compared with a rise in Canada's Consumer Price Index of 10.1% for the same period. The increase in the price of the merchandise sold by the stores in 1979 was about 5.9% compared with the CPI which rose by 9.1% during that year.

In 1980 the impact of inflation on the costs of doing business was relatively severe for Revelstoke in all three Divisions. This was particularly the case in the Lumber Division where production costs increased at the same time as the price of lumber decreased. In the Retail Division, the stores were unable to offset higher operating costs last year with increases in sales or gross margins.

consistently fail to contribute to the earnings and success of Revelstoke.

Management Changes

Recognizing the substantial increase in the Company's size over the past five years, Revelstoke's senior management was reorganized last November to improve decision making and provide for greater delegation of responsibilities. This involved the appointment of Gerald A. Berkhold as Executive Vice President, Keith McDowell as Senior Vice President and Secretary Treasurer, Gordon Roberts as Senior Vice President Operations, Vic Roskey as Senior Vice President Merchandising and Brian Harris as Vice President and Controller. In addition, the Company increased the

Outlook For 1981

Whether Revelstoke's performance in the 1980s matches the past decade is dependent partly upon the skills of management and partly upon external factors. Last year's Annual Report was primarily devoted to an analysis of the outlook for the 1980s relating to the overall environment and the businesses which the Company operates. Over the past year, nothing has occurred to alter our forecast that in the 1980s Revelstoke definitely has the potential to match its record of the 1970s.

Like the last decade, however, we are getting off to a slow start. With high interest rates, depressed lumber prices and the continuing uncertainty that overhangs the energy industry, it is difficult to foresee a major recovery in the Company's operations commencing until possibly the latter half of 1981.

While it is difficult to be optimistic about the short-term outlook, Revelstoke is continuing to take the necessary steps, including the opening of new facilities, to place the Company in an optimum position to take advantage of the turnaround in business conditions when it takes place. Regardless of the current political crisis in Canada, Revelstoke's principal markets should achieve above average growth in economic activity and prosperity throughout the 1980s.

Other Corporate Matters

The Company's Directors approved the payment on April 1, 1981 of the

semi-annual dividend in the amount of \$.17 per common share. This is equal to the previous semi-annual dividend of \$.17 paid last October 1.

Starting in May of 1980, Revelstoke initiated a program of purchasing up to 1% of the Company's common shares each month. To the end of February of this year, Revelstoke had acquired a total of 188,438 common shares at an average price of \$9.70, including commissions. At a Board Meeting on March 12, the Directors authorized the Company to file a notice with the Toronto Stock Exchange of Revelstoke's intention to continue this program for a further one year period, commencing in May of 1981.

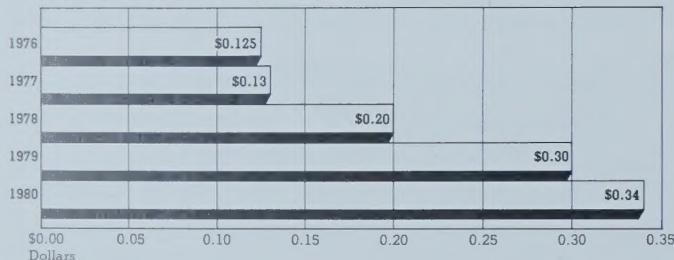
These purchases are made through the Toronto Stock Exchange at the prevailing market price. The Company has reserved the right to terminate its purchase at any time without giving any further notice of its intent to do so. The decision for Revelstoke to purchase its own shares was prompted by the low market price of the Company's shares in relation to their underlying net asset value and by the desirability of minimizing any future dilution which may arise from issuing additional shares currently reserved for the Employee Stock Purchase Plan.

On behalf of the Board of Directors and Revelstoke's shareholders, I want to thank everyone throughout the Company for all of your efforts and support over the past year. In addition, all of us at Revelstoke want to thank our customers, suppliers and friends for their backing in 1980.

Paul Curry

STEELE CURRY
President

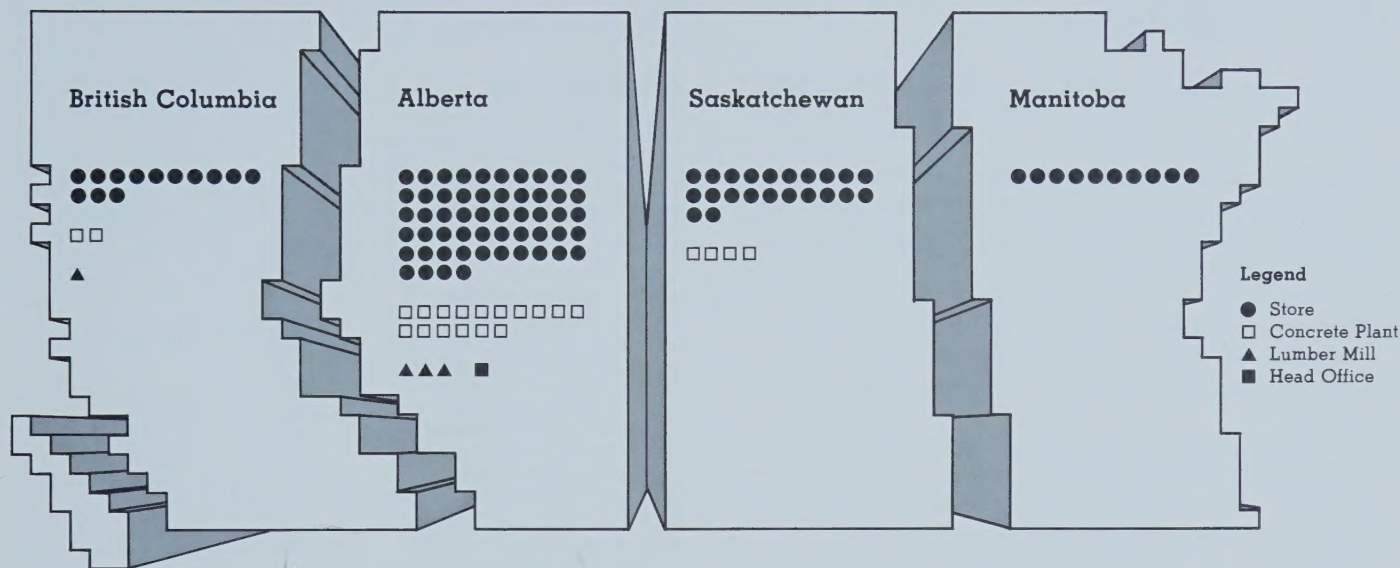
Dividends Per Share



In such an environment, management must concentrate on improving the productivity of every person in the Company, the output or sales of every store and plant, and the return on every dollar invested in equipment and inventory. Given the pressures of inflation, just working harder is not enough — we all have to work smarter. We cannot afford to accept inefficient ways of doing business nor can we support stores or plants which

number of officers by appointing Lionel Dobson as Vice President Merchandising, David Dupont as Vice President Stores, Lyle English as Vice President Merchandising, Frank Fortin as Vice President Lumber Operations, Neil Fraser as Vice President Merchandising and Distribution, Tom Graves as Vice President Information Services and Howard Sells as Vice President Concrete and Equipment.

Where We Operate



Sales by Province

	1980		1979	
British Columbia.....	\$ 46,029,000	22.5%	\$ 45,504,000	22.0%
Alberta	129,227,000	63.2%	127,357,000	61.7%
Sask/Man.....	29,319,000	14.3%	33,552,000	16.3%
Total.....	<u>\$204,575,000</u>	<u>100.0%</u>	<u>\$206,413,000</u>	<u>100.0%</u>

British Columbia

- Cranbrook
- Creston
- ● Dawson Creek
- Duncan
- ● Fort St. John
- Kelowna
- Ladysmith
- Nanaimo
- Parksville
- Penticton
- Port Alberni
- ▲ Radium
- Victoria
- White Rock

Alberta

- Airdrie
- Alix

- Athabasca
- Bentley
- ● Brooks
- ● Calgary
- Calgary East
- Calgary Eastport
- Calgary North
- Calgary Midnapore
- ● Camrose
- Carstairs
- Castor
- Coronation
- Crossfield
- Didsbury
- Drayton Valley
- Drumheller
- Eckville
- ● Edmonton

- Edmonton Millwoods
- Edmonton North
- Edmonton South
- Edmonton West
- Fort McMurray
- Fort Saskatchewan
- ● Grande Prairie
- Hanna
- Hardisty
- High River
- Holden
- Innisfail
- Lacombe
- Lac La Biche
- ● Leduc
- ● Lethbridge
- ● Medicine Hat
- Nanton

- Okotoks
- ● Olds
- ● Peace River
- Picture Butte
- ● Ponoka
- ● Red Deer
- ▲ ● Rocky Mountain House
- ▲ ● Sentinel
- ▲ ● Sundre
- ● Sylvan Lake
- ● Taber
- Vauxhall
- Vegreville
- Vermilion
- Viking
- Vulcan
- Wainwright
- ● Wetaskiwin

- Whitecourt
- ● Saskatchewan
- ● Battleford
- Davidson
- Elrose
- Fox Valley
- Gull Lake
- Humboldt
- Leader
- Lumsden
- ● Meadow Lake
- Melfort
- Moose Jaw
- Ponteix
- Prince Albert
- Regina
- Rosetown
- Saskatoon

- Saskatoon Revelstoke
- Saskatoon T.M. Ball
- ● Swift Current
- Tisdale
- Unity
- Watrous
- Yorkton
- ● Manitoba
- Brandon
- Cypress River
- Flin Flon
- Hamiota
- Morden
- Portage La Prairie
- Swan River
- The Pas
- Thompson
- Virden

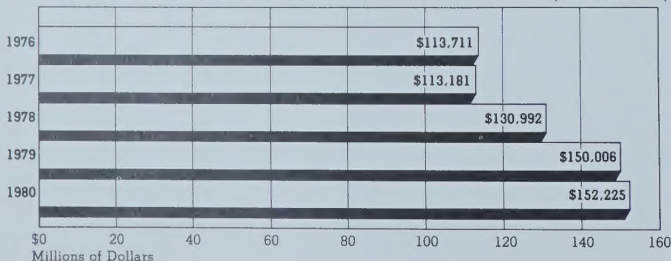
Retail Business

1980 Highlights

- Sales were \$152,225,000 compared with \$150,006,000 in 1979.
- The stores in Alberta and British Columbia generally achieved higher sales but in Manitoba and Saskatchewan sales were considerably below the previous year.
- Operating profits declined to \$8,600,000 compared with \$12,263,000 in the prior year as a result of higher operating costs and lower gross margins.
- New stores were opened to replace existing outlets in Carstairs and Peace River, Alberta; Cranbrook, British Columbia; and Tisdale, Saskatchewan. Six marginal stores were closed during the year.
- Capital expenditures were \$4,860,000 in the Retail Division compared with \$4,407,000 in 1979. The new store in Cranbrook was leased.

Retail Division Sales

(000's OMITTED)



Description Of Business

Revelstoke's Retail Division consists of 99 stores located throughout western Canada with 54 in Alberta, 22 in Saskatchewan, 13 in British Columbia and 10 in Manitoba. These stores are generally referred to as "home improvement centres" and carry a complete selection of lumber products, paneling, building materials, tools, paint, wallpaper, carpeting, hardware, kitchen cabinets, electrical supplies, plumbing products and heating equipment. The Company also sells farm buildings and manufactured houses which are marketed under the name "Revelstoke Homes." In 1980 the Retail Division accounted for 74.4% of Revelstoke's total sales compared with 72.7% in the prior year.

The Company's home improvement centres serve both do-it-yourself customers and professional buyers. Revelstoke's retail customers are homeowners, apartment dwellers, farmers and ranchers. The professional buyers include builders, tradesmen, local industries, institutions and municipalities. In 1980 approximately 53% of the Retail Division's sales were to retail customers and 47% to builders, tradesmen, industrial and institutional customers. This customer profile varies, however, from store to store.

Each of the Company's stores offers one-stop shopping to homeowners and contractors wishing to purchase all of the items required for any type of home building, decorating or repair project. In order to do an

effective job of selling their products, these stores all have a showroom, warehouse facilities and outside storage space sufficient to stock a broad assortment of lumber, building materials and other home improvement products. Consequently, Revelstoke's stores are generally free-standing units as opposed to being located within shopping centres. The land and buildings at 85% of the stores are owned by the Company. A large proportion of the hardware and promotional merchandise is supplied to the stores from a central distribution centre located in Calgary.

Revelstoke is committed to allocating the substantial majority of its resources and management attention to the Company's retail business. In particular, this means concentrating on the do-it-yourself or "DIY" home improvement and building material business which has the following characteristics:

- It is an extremely large sector of the retail industry with total annual retail sales in excess of \$6 billion through the many types of outlets that carry some or all of the products sold by Revelstoke's stores.
- It is one of the most highly fragmented segments of the retail industry with the six largest retailers of home improvement products accounting for less than 20% of the total market in Canada.
- It is currently one of the fastest growing sectors of Canadian retailing as homeowners attempt to improve their home investment and avoid the high cost of tradesmen by expanding or repairing their homes themselves.

Success in the DIY home improvement retailing business requires an expertise in handling certain commodity products, namely lumber and building materials, which is difficult to acquire. In addition, the managers and salespeople at Revelstoke's stores need to have considerable product knowledge and experience in order to advise customers on undertaking DIY projects. The Company's store sites also usually require special zoning to permit outside storage of bulky merchandise. All of these factors tend to constrain newcomers from entering this business.

The impact of higher energy and fuel costs is going to affect this business less than most other types of retailers. The ramifications of the escalation in these costs are that consumers are definitely going to want "one-stop" shopping, are going to have less discretionary income and hence be forced to become DIY'ers, and are likely to spend a great deal to ensure that their houses are properly insulated.

Why This Is A Growth Market

The basic factors contributing to the growth in DIY home improvement sales are as follows:

- Rising house prices and high mortgage rates tend to lock families into their existing units which encourages them to upgrade their present homes as opposed to buying a larger or better home.
- Rising property values have clearly demonstrated to

homeowners that by far their best and most important investment is their home which is a strong motivator for homeowners to improve and maintain their existing homes.

- Rising labour rates for tradesmen and the greater availability of both DIY materials and advice have caused an increasing number of homeowners to realize they can save substantial amounts by doing their own home improvement projects.
- Once a homeowner breaks the psychological barrier of doing a home improvement project himself, he almost inevitably tries increasingly larger projects. More and more DIY customers are therefore going to undertake larger projects which obviously involve bigger ticket sales of DIY products.
- Both the manufacturers and retailers of DIY products are becoming much more aggressive and skillful at marketing to the ultimate consumer whereas formerly this was not the case. This means that the overall market is going to increase as more and more people become persuaded to join the ranks of do-it-yourselfers.

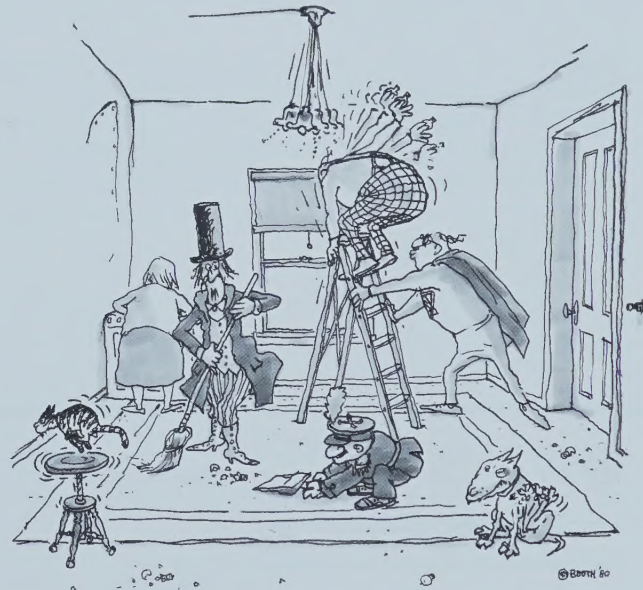
In order to achieve maximum success in this business, Revelstoke intends to offer one-stop shopping to its customers, to specialize in lumber and building material products, to keep operating costs down in order to be able to offer highly competitive prices, and to provide customers with superior service. In every respect, we are committed to being a leader in serving the do-it-yourself retail market.

Outlook For 1981

In the current year, the Retail Division should achieve a reasonable recovery in sales and earnings arising from a healthier farm economy, a modest increase in housing starts across the prairie provinces, and more aggressive marketing programs. Obviously, high interest rates are an inhibiting factor for our customers and significantly raise the cost of

operating the Company's stores. Nevertheless, Revelstoke's Retail Division should be able to achieve better profit margins and higher productivity than was the case in 1980.

During the first quarter of 1981, the Company is opening four new stores in Alberta and one in British Columbia which are all replacing existing units. Revelstoke opened another new store at the beginning of the year in Fort Saskatchewan, Alberta which is a new market for the Company.



**Helping customers
improve their homes
is our business**

Concrete Business

1980 Highlights

- Sales decreased 7.4% to \$38,689,000 compared with \$41,791,000 in 1979.
- The Company's sand and gravel operations contributed 12.3% of the Division's total sales, excluding materials supplied to Revelstoke's own concrete plants.
- Operating profits declined to \$3,865,000 compared with \$5,122,000 in the prior year.
- Capital expenditures were \$3,260,000 in the Concrete Division compared with \$3,320,000 in 1979. A sizeable portion of the expenditures in 1980 were for the construction of a second Edmonton concrete plant which commenced operations in March 1981.

Description Of Business

The Concrete Division consists of 22 redi-mix concrete plants with 16 situated in Alberta, four in Saskatchewan and two in British Columbia. Revelstoke also produces sand and gravel at seven locations both to supply its own needs and sell to other customers. The Concrete Division represented 18.9% of the Company's total sales in 1980 compared with 20.2% in the previous year. At the end of 1980 the Division had a fleet of 193 mixer trucks.

Revelstoke's plants serve a substantial number of customers in a variety of different markets. Consequently, none of the plants is dependent upon a continuing supply of large projects or a limited number of major customers to ensure a satisfactory level of operations. The Company's local managers at 13 of the 22 plants are also responsible for Revelstoke's retail business in the same communities. This joint management is an advantage for the Company in supplying all of the materials required for almost any building project in those markets.

Every plant has a batch plant, a fleet of concrete mixer trucks and facilities for the storage of cement, sand, gravel aggregates and other additives. The batch plant contains the necessary equipment for the controlled measurement and mixing of the ingredients involved in making concrete. The larger plants also have their own garages for maintaining and repairing trucks.

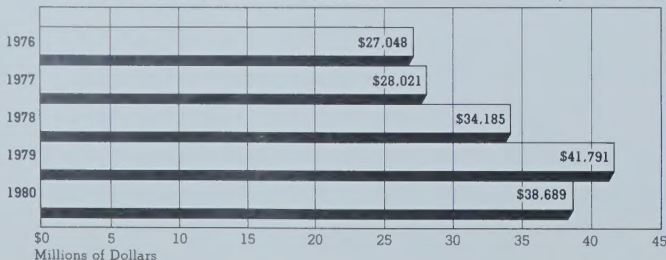
Outlook For 1981

The Concrete Division is anticipating an increase in sales and earnings in 1981. During March, Revelstoke opened a second concrete plant in Edmonton, Alberta, acquired a second plant in Lethbridge, Alberta, and sold a small plant in Claresholm, Alberta. While some of the Company's markets will be adversely affected by a delay in energy projects or a downturn in exploration activity, other markets are likely to experience a higher level of construction activity.

In contrast with 1980, this year Revelstoke's concrete plants should benefit from a gradual increase in housing starts and a stronger agricultural economy. Competitive conditions, however, will continue to exert pressure on the industry's profit margins especially with the large number of new plants which have opened in the Company's markets over the last five years. Given this situation, Revelstoke relies upon the experience of its managers and the support of the Company's technical staff in the head office to provide customers with excellent service.

Concrete Division Sales

(000's OMITTED)



Lumber Business

1980 Highlights

- Sales were \$13,661,000 compared with \$14,616,000 in 1979.
- The mills supplied Revelstoke's stores with an additional \$7,237,000 of lumber which represented 26.4% of the Retail Division's total lumber purchases.
- The Lumber Division had an operating loss of \$1,982,000 compared with an operating profit of \$4,794,000 in the prior year.
- The mills shipped 104,636,000 board feet of lumber compared with 102,705,000 board feet in 1979.
- Chip revenues amounted to 8.1% of the Division's sales compared with 4.9% in the previous year.

Description Of Business

Revelstoke's Lumber Division operates one lumber mill in British Columbia at Radium and three in Alberta at Rocky Mountain House, Sentinel and Sundre. The Company also has a post and pole treating plant adjacent to the Sundre mill. In 1980 the Lumber Division accounted for 6.7% of Revelstoke's total sales compared with 7.1% in the prior year.

The Radium mill accounts for over half of the Company's total lumber output and produces spruce, fir and a small amount of cedar. The three Alberta mills produce spruce exclusively. About 90% of the Lumber Division's total production is usually spruce.

Revelstoke possesses annual timber quotas of approximately 113,400,000 board feet with 64,000,000 at the Radium mill, 21,100,000 at Sentinel, 17,500,000 at Rocky Mountain House and 10,800,000 at Sundre. These quotas are granted by the provincial governments for a 20 year period and are renewed subject to satisfactory performance and timber availability.

In 1980 the Company shipped 44.7% of its lumber production to domestic customers which include wholesalers, large developers and industrial accounts, and 20.7% to export customers. The remaining 34.6% of shipments were sold to the Company's own stores which represents most of their spruce lumber requirements.

Outlook For 1981

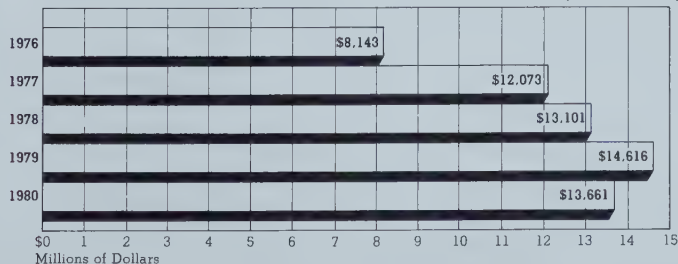
The Lumber Division's operating losses are likely to continue until sometime in the second half of 1981 when lumber prices should start to recover gradually to profitable levels as housing construction in North America responds to an easing of mortgage rates. At the present time, the level of lumber inventories at distributors, retailers and wholesalers is extremely low. When U.S. housing starts begin to exceed an annual rate of 1,500,000 units, lumber prices will sharply increase to record levels.

In June, most of the labour contracts in the British Columbia forest products industry expire. If a strike occurs, it could affect the Company's mill at Radium, British Columbia. This occurrence, however, would likely initiate an earlier recovery in lumber prices, especially if the strike were of any duration. Under these circumstances, Revelstoke's Alberta mills would be in an ideal position to take advantage of the higher prices.

Looking beyond the current year, the lumber market is expected to be at highly profitable levels throughout most of 1982 and 1983.

Lumber Division Sales

(000's OMITTED)



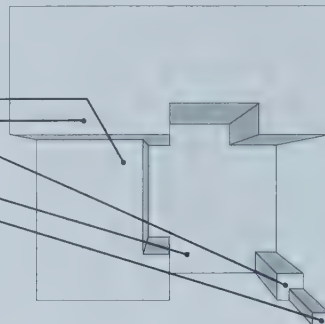
Highlights Of Financial Position

Three dominant factors determine the health and viability of most companies — their people, facilities and financial position. This section of the annual report is devoted to giving our shareholders a better understanding of Revelstoke's

financial position and the results for 1980. The detailed figures for most of the foregoing charts are contained in the Company's audited financial statements and footnotes which follow this section.

Assets

Accounts Receivable	25.7%
Inventories	37.2%
Notes Receivable	0.8%
Fixed Assets (including Capitalized Leases)	36.1%
Goodwill	0.2%
Total	100.0%

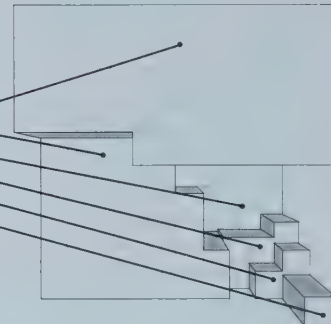


Assets

Revelstoke's assets consist of materials, merchandise and property owned by the Company and used in its business, as well as claims for payment owed by others which have not yet been collected. The largest component of Revelstoke's assets is inventory. The second largest is the fixed assets, including assets under capital leases, which comprise land, buildings and equipment.

Source of Funds

Working Capital	46.3%
Operations	34.6%
Sales of Fixed Assets	12.4%
Long Term Debt	3.9%
Shares Issued	1.9%
Notes Receivable	0.9%
Total	100.0%

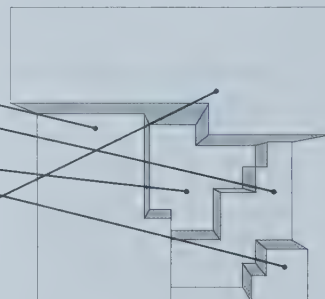


Source of Funds

During each year, the Company receives funds from several sources. In terms of working capital, the funds generated from operations are the principal source of funds and represent the excess of operating revenues, over the costs and expenses of doing business other than depreciation and deferred taxes which do not affect working capital. Other sources of funds include proceeds from the sale of assets and money borrowed by the Company on a long-term basis. When the outflow of funds exceeds those generated from operations and external sources, working capital is used to make up the deficiency.

Liabilities and Shareholders' Equity

Short Term Loans	31.0%
Other Current Liabilities	15.1%
Long Term Debt (including Capital Lease Obligations)	16.6%
Deferred Taxes	3.5%
Shareholders' Equity	33.8%
Total	100.0%

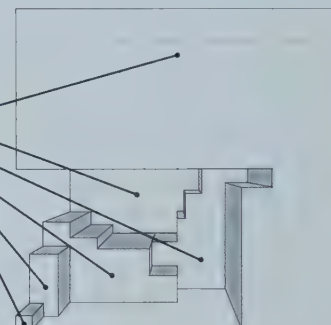


Liabilities & Shareholders' Equity

Revelstoke's liabilities and shareholders' equity provide the necessary financing to support the Company's business and day-to-day operations. The liabilities consist of all bills and debts owed by Revelstoke to others and the shareholders' equity is the money invested and retained in the Company by Revelstoke's owners or shareholders. The largest liability relates to short-term loans granted the Company by its bankers.

Application of Funds

Fixed Assets	64.4%
Retirement of Debt	14.9%
Purchase of Common Shares	10.3%
Dividends	8.3%
Notes Receivable	1.9%
Purchase of Preferred Shares	0.2%
Total	100.0%

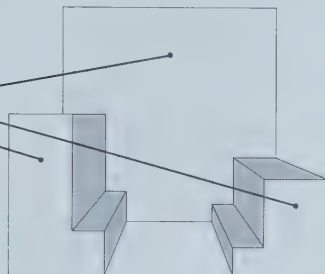


Application of Funds

The funds received by Revelstoke are used for a number of purposes. Each year the largest outflow of funds is for capital expenditures to upgrade the Company's existing facilities, to build new stores and plants, to purchase additional equipment and to expand Revelstoke's operations. Other important applications of funds are the repayment of long-term borrowings, the payment of dividends to the Company's shareholders and the purchase by the Company of its common shares.

Inventory by Division

Retail	81.8%
Concrete	6.8%
Lumber	11.4%
Total	<u>100.0%</u>

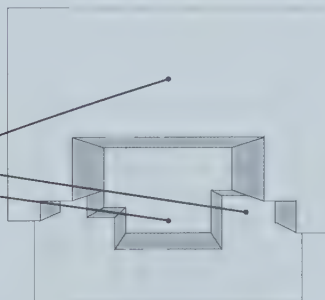


Inventory by Division

By far the largest proportion of Revelstoke's total inventory consists of merchandise at the Company's stores. The Concrete Division's inventory represents cement, sand and gravel used mainly in the production of concrete at its redi-mix plants. The Lumber Division's inventory includes logs, rough lumber and finished lumber.

Fixed Assets by Division

Retail	49.6%
Concrete	29.6%
Lumber	20.8%
Total	<u>100.0%</u>

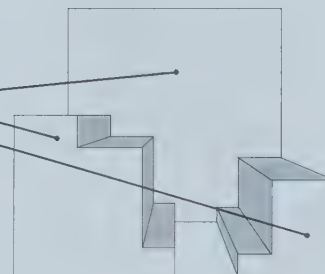


Fixed Assets by Division

The Company's retail business also logically requires the greatest amount of fixed assets in comparison with Revelstoke's concrete and lumber operations. Unlike most retailers, the Company has retained the ownership to almost all of the real estate associated with its stores. In most instances, the market value of Revelstoke's properties is significantly higher than either their original or depreciated cost.

Sales by Division

Retail	74.4%
Concrete	18.9%
Lumber	6.7%
Total	<u>100.0%</u>

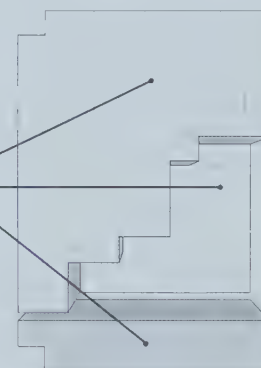


Sales by Division

The Company's retail business accounts for close to three-quarters of Revelstoke's total sales. The majority of these transactions are to homeowners, farmers and ranchers from the Company's 99 stores which also sell to builders and contractors. Revelstoke's sales from its concrete plants and lumber mills also represent a significant proportion of the Company's overall business.

Operating Profit by Division

Retail	82.0%
Concrete	36.9%
Lumber	(18.9%)
Total	<u>100.0%</u>



Operating Profit by Division

Revelstoke's retail business generated a majority of the Company's operating profit before deducting corporate administrative expenses and interest costs. The Concrete Division was also a most important contributor of operating profit. Last year the Lumber Division had an operating loss.

Consolidated Balance Sheet

REVELSTONE COMPANIES LTD.

December 31

Assets	1980	1979
Current Assets		
Accounts Receivable	\$ 25,012,000	\$ 25,003,000
Income Taxes Recoverable	4,664,000	-
Inventories (Note 2)	42,978,000	40,963,000
	<u>72,654,000</u>	<u>65,966,000</u>
Notes Receivable (Note 8)	906,000	723,000
Property, Plant and Equipment, at Cost		
(Notes 1 and 3)	59,032,000	49,235,000
Less: Accumulated Depreciation and		
Depletion	<u>24,572,000</u>	<u>21,626,000</u>
	<u>34,460,000</u>	<u>27,609,000</u>
Assets Under Capital Leases, at Capitalized Cost (Note 1)	12,844,000	13,085,000
Less: Accumulated Amortization	<u>5,633,000</u>	<u>4,633,000</u>
	7,211,000	8,452,000
Goodwill less Amortization (Note 1)	172,000	400,000
Total Assets	<u>\$115,403,000</u>	<u>\$103,150,000</u>

APPROVED BY THE BOARD:

Director

Neil B. Long

Director

Paul Curry

December 31

Liabilities and Shareholders' Equity

	1980	1979
Current Liabilities		
Short Term Loans	\$ 35,816,000	\$ 20,977,000
Accounts Payable and Accrued Liabilities	14,785,000	13,372,000
Income Taxes Payable	-	1,445,000
Long Term Debt Due Within One Year (Note 4)	929,000	882,000
Current Portion of Capital Lease Obligations (Note 5)	1,667,000	1,633,000
	<u>53,197,000</u>	<u>38,309,000</u>
 Long Term Debt (Note 4)	 12,606,000	 13,457,000
 Capital Lease Obligations (Note 5)	 6,595,000	 7,684,000
 Deferred Income Taxes	 4,045,000	 2,629,000
 Shareholders' Equity		
Capital Stock (Note 6)		
Preference Shares Issued	1,821,000	1,879,000
Common Shares Issued	5,187,000	5,089,000
Retained Earnings	31,952,000	34,103,000
 Total Shareholders' Equity	 38,960,000	 41,071,000
 Commitments (Note 11)		
 Total Liabilities and Shareholders' Equity	 <u>\$115,403,000</u>	 <u>\$103,150,000</u>

Consolidated Statement Of Current And Retained Earnings

REVELSTONE COMPANIES LTD.

Years Ended December 31

	1980	1979
Current Earnings		
Sales — Retail Division	\$152,225,000	\$150,006,000
Concrete Division	38,689,000	41,791,000
Lumber Division	13,661,000	14,616,000
	204,575,000	206,413,000
Gain on Disposal of Fixed Assets	1,071,000	1,993,000
	205,646,000	208,406,000
Costs and Expenses		
Cost of Sales, Selling, General and Administrative	193,861,000	184,373,000
Depreciation, Depletion and Amortization (Note 1)	4,895,000	4,251,000
Interest (Long Term: 1980 - \$2,285,000; 1979 - \$2,344,000)	6,354,000	6,117,000
	205,110,000	194,741,000
Earnings before Income Taxes	536,000	13,665,000
Provision for Income Taxes (Note 7)		
Current	(1,773,000)	4,173,000
Deferred	1,416,000	1,360,000
	(357,000)	5,533,000
Net Earnings for the Year	\$ 893,000	\$ 8,132,000
Earnings Per Common Share (Note 1)	\$0.20	\$1.99
Retained Earnings		
Balance at Beginning of Year	\$ 34,103,000	\$ 27,292,000
Addition		
Net Earnings for the Year	893,000	8,132,000
	34,996,000	35,424,000
Deductions		
Dividends on Preference Shares	112,000	114,000
Dividends on Common Shares	1,360,000	1,207,000
Common Shares Repurchased (Note 6)	1,572,000	-
	3,044,000	1,321,000
Balance at End of Year	\$ 31,952,000	\$ 34,103,000

Consolidated Statement Of Changes In Financial Position

REVELSTOKE COMPANIES LTD.

Years Ended December 31

	1980	1979
Source of Funds		
Net Earnings for the Year	\$ 893,000	\$ 8,132,000
Add (Deduct) Items Not Affecting Funds From Operations		
Depreciation, Depletion and Amortization	4,895,000	4,251,000
Deferred Income Taxes	1,416,000	1,360,000
Gain on Disposal of Fixed Assets	(1,071,000)	(1,993,000)
Other	(13,000)	8,000
Funds from Operations	6,120,000	11,758,000
Notes Receivable	160,000	78,000
Long Term Debt	79,000	48,000
Capital Lease Obligations	603,000	4,298,000
Proceeds on Disposal of Fixed Assets	2,200,000	4,713,000
Shares Issued	343,000	-
	<u>9,505,000</u>	<u>20,895,000</u>
Application of Funds		
Fixed Assets	10,803,000	7,798,000
Assets Under Capital Leases	603,000	4,298,000
Purchase of Preference Shares	33,000	24,000
Dividends	1,472,000	1,321,000
Long Term Debt	940,000	914,000
Capital Lease Obligations	1,694,000	1,895,000
Goodwill	-	102,000
Notes Receivable	343,000	-
Purchase of Common Shares	1,817,000	-
	<u>17,705,000</u>	<u>16,352,000</u>
Increase (Decrease) in Working Capital	(8,200,000)	4,543,000
Working Capital at Beginning of Year	<u>27,657,000</u>	<u>23,114,000</u>
Working Capital at End of Year	<u>\$19,457,000</u>	<u>\$27,657,000</u>
Changes in Components of Working Capital		
Current Assets		
Accounts Receivable	\$ 9,000	\$ 1,355,000
Income Taxes Recoverable	4,664,000	-
Inventories	2,015,000	996,000
	<u>6,688,000</u>	<u>2,351,000</u>
Current Liabilities		
Short Term Loans	14,839,000	(5,282,000)
Accounts Payable and Accrued Liabilities	1,413,000	1,273,000
Income Taxes Payable	(1,445,000)	1,278,000
Long Term Debt Due Within One Year	47,000	316,000
Current Portion of Capital Lease Obligations	34,000	223,000
	<u>14,888,000</u>	<u>(2,192,000)</u>
Increase (Decrease) in Working Capital	<u>\$ (8,200,000)</u>	<u>\$ 4,543,000</u>

Notes To Consolidated Financial Statements

Note 1

Significant
Accounting
Policies

REVELSTONE COMPANIES LTD.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all of its subsidiary companies from their effective dates of acquisition. All of the subsidiary companies are wholly owned. Intercompany balances and transactions are eliminated.

DEPRECIATION

The Company's property, plant and equipment are depreciated as follows:

	Basis	Rate
Buildings.....	Straight-line	2.5% - 5%
Machinery and Equipment.....	Straight-line	10% - 30%
Logging Access Roads.....	Unit of production	Based on estimated reserves
Sand and Gravel Rights and Properties.....	Unit of production	Based on estimated reserves if not leased for fixed period
Timber Rights and Leases.....	Straight-line	5%
Assets under Capital Leases.....	Straight-line	10% - 30%

GOODWILL

Goodwill acquired after December 31, 1973 in conjunction with the purchase of fixed assets and subsidiaries is being amortized over periods of up to seven years.

CAPITAL LEASES

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized using the straight-line method.

EARNINGS PER COMMON SHARE

The earnings per share are calculated after deducting preferred dividends and are based on the weighted average number of shares outstanding during the year.

Note 2

Inventories

Inventories in the Retail and Concrete Divisions are valued at the lower of cost or net realizable value (estimated selling price) on a first in first out basis.

In the Lumber Division inventories are valued at the lower of average production cost or net realizable value (mill net selling price, less cost of shipping).

Note 2

Inventories
(Continued)

INVENTORY VALUES BY DIVISION ARE AS FOLLOWS:

	1980	1979
Retail Division	\$35,136,000	\$31,213,000
Concrete Division	2,936,000	2,874,000
Lumber Division	4,906,000	6,876,000
	<u>\$42,978,000</u>	<u>\$40,963,000</u>

Note 3

Property,
Plant and
Equipment

	1980		1979	
	Cost	Net Book Value	Cost	Net Book Value
Land	\$ 5,050,000	\$ 5,050,000	\$ 4,468,000	\$ 4,468,000
Buildings	17,985,000	12,915,000	15,506,000	10,886,000
Machinery and Equipment	29,270,000	14,547,000	22,889,000	10,210,000
Logging Access Roads	3,643,000	860,000	3,294,000	828,000
Sand and Gravel Rights and Properties	687,000	365,000	682,000	384,000
Timber Rights and Leases	2,397,000	723,000	2,396,000	833,000
	<u>\$59,032,000</u>	<u>\$34,460,000</u>	<u>\$49,235,000</u>	<u>\$27,609,000</u>

Effective December 31, 1980 the Company's land and buildings at 57 of its principal properties were appraised by independent appraisers at \$41,647,000. The net book value of these properties at that date was \$9,517,000.

Note 4

Long Term Debt

	1980	1979
Sinking Fund Debentures, 10% due 1997 (Annual sinking fund requirement \$300,000)	\$ 6,628,000	\$ 6,924,000
Sinking Fund Debentures, 11% due 1990 (Annual sinking fund requirement \$600,000, commencing July 31, 1981)	6,249,000	6,244,000
Sinking Fund Debentures, 6.5% due 1981 (Annual sinking fund requirement \$200,000)	—	232,000
Serial Debentures, 10% (Due 1980)	—	199,000
Serial Notes, 10% (Due 1980)	—	140,000
Purchase Money Mortgages (Repayable over various terms to 1999 at rates varying from 9½% to 12%)	658,000	600,000
	<u>13,535,000</u>	<u>14,339,000</u>
Long Term Debt Due Within One Year	929,000	882,000
	<u>\$12,606,000</u>	<u>\$13,457,000</u>

Aggregate annual maturities excluding those related to capital lease obligations for the next five years are as follows:

1981	\$929,000
1982	\$970,000
1983	\$917,000
1984	\$918,000
1985	\$921,000

Note 5

Capital Lease Obligations

Future obligations under capital leases are as follows:

1981	\$ 2,308,000
1982	2,161,000
1983	1,828,000
1984	1,408,000
1985	1,134,000
Subsequent	<u>1,140,000</u>
	9,979,000
Less Amount Representing Interest	<u>1,717,000</u>
Net Capital Lease Obligations	8,262,000
Less Current Portion of Capital Lease Obligations	<u>1,667,000</u>
Capital Lease Obligations	<u>\$ 6,595,000</u>

Note 6

Capital Stock

PREFERENCE SHARES

The 300,000 authorized preference shares of a par value of \$20.00 each are issuable in series, of which 125,000 have been designated as 6% cumulative redeemable shares 1961 series and are redeemable at \$20.50 plus any accrued and unpaid dividends as at the date of redemption and 9,351 have been designated as 1% non-cumulative redeemable preference shares 1970 series.

During the year the Company authorized the creation of 5,000,000 Class A preferred shares at a par value of \$20 each. No shares were issued in this Class during 1980.

The 6% cumulative redeemable shares 1961 series issued and outstanding are as follows:

	1980		1979	
	Shares	Amount	Shares	Amount
Balance, Beginning of Year	93.944	\$1,879,000	95,544	\$1,911,000
Purchased on Open Market and Tendered for Cancellation	2.900	58,000	1,600	32,000
Balance, End of Year	<u>91.044</u>	<u>\$1,821,000</u>	<u>93,944</u>	<u>\$1,879,000</u>

COMMON SHARES

10,000,000 common shares of no par value are authorized. Common shares issued and outstanding are as follows:

	1980		1979	
	Shares	Amount	Shares	Amount
Balance, Beginning of Year	4,024,493	\$5,089,000	4,024,493	\$5,089,000
Issued for Cash Under Employee Stock Purchase Plan	35,500	343,000	—	—
Purchased on Open Market and Tendered for Cancellation	(187,238)	(245,000)	—	—
	<u>3,872,755</u>	<u>\$5,187,000</u>	<u>4,024,493</u>	<u>\$5,089,000</u>

In April of 1980, the Company filed with the Toronto Stock Exchange a notice of intention to repurchase up to 1% of its outstanding common shares per month for a twelve month period. As at December 31, 1980 the Company had purchased 187,238 of its own shares for cancellation and removed from share capital an amount equal to the average carrying value of the shares at the repurchase dates. The remainder of the purchase price has been charged against retained earnings.

Shares reserved for employee stock purchase plan 211,266

Note 7

Income Taxes

The Company has a recovery of income taxes in 1980 primarily because of the 3% inventory allowance which is a permanent deduction from taxable income.

Note 8

Statutory Requirements

- (a) The remuneration of directors and senior officers in 1980 amounted to \$543,000 compared with \$679,000 in 1979.
- (b) The Company has a Stock Purchase Plan which provides that employees will be entitled to purchase common shares of the Company in such amounts as the Directors shall approve at a price equal to the closing price on the Toronto Stock Exchange on the date the shares are purchased. The Company advances to such employees by way of loan the purchase price of such shares and the employees give the Company promissory notes payable without interest at a date determined by the Directors. As security for such loans, the employees pledge the shares of the Company purchased by them pursuant to the Plan.

Total notes receivable under the Plan from officers and other employees who are shareholders of the Company at December 31, 1980 are \$906,000 (1979 - \$723,000).

Note 9

Pension Plan

The Company and its subsidiaries have a contributory retirement plan which is available to substantially all its employees. Current service costs are charged to operations as they accrue. According to an actuarial valuation made as of December 31, 1980, there is no unfunded liability.

Note 10

Segmented Information

The following information is an analysis of the Company's operations and assets by principal industry segment. All operations are in one principal geographic area.

	Years Ended December 31	
	1980	1979
Sales:		
Retail	\$152,225,000	\$150,006,000
Concrete	38,689,000	41,791,000
Lumber	20,898,000	25,255,000
	211,812,000	217,052,000
Inter-segment Sales	(7,237,000)	(10,639,000)
	<u>\$204,575,000</u>	<u>\$206,413,000</u>
Operating Profit (Loss):		
Retail	\$ 8,600,000	\$ 12,263,000
Concrete	3,865,000	5,122,000
Lumber	(1,982,000)	4,794,000
	10,483,000	22,179,000
Corporate Administrative Expenses	(4,664,000)	(4,390,000)
Fixed Asset Disposal - Gain	1,071,000	1,993,000
	6,890,000	19,782,000
Interest Expense	(6,354,000)	(6,117,000)
Earnings Before Income Taxes	<u>\$ 536,000</u>	<u>\$ 13,665,000</u>

Note 10

Segmented Information (Continued)

	Years Ended December 31	
	1980	1979
Identifiable Assets:		
Retail	\$ 70,790,000	\$ 63,151,000
Concrete	19,847,000	22,261,000
Lumber	13,996,000	11,081,000
	<u>104,633,000</u>	<u>96,493,000</u>
Corporate	10,770,000	6,657,000
	<u>\$115,403,000</u>	<u>\$103,150,000</u>
Depreciation:		
Retail	\$ 1,159,000	\$ 1,131,000
Concrete	1,913,000	1,511,000
Lumber	1,436,000	1,239,000
	<u>4,508,000</u>	<u>3,881,000</u>
Corporate	159,000	148,000
	<u>\$ 4,667,000</u>	<u>\$ 4,029,000</u>
Capital Expenditures:		
Retail	\$ 4,860,000	\$ 4,407,000
Concrete	3,260,000	3,320,000
Lumber	2,620,000	4,096,000
	<u>10,740,000</u>	<u>11,823,000</u>
Corporate	666,000	273,000
	<u>\$ 11,406,000</u>	<u>\$ 12,096,000</u>

A general description of the principal products for each industry segment is included in the Annual Report. Segment revenues include sales to unaffiliated customers, as reported in the Company's consolidated earnings statement, and sales to other segments which are priced at market value. Segment operating profit is revenue less allocable operating expenses. Segment identifiable assets are those which are directly used in segment operations.

Note 11

Commitments

At December 31, 1980, the Company operated 99 stores. The properties relating to 84 of these stores are owned with those relating to the other 15 being leased for terms varying from five to twenty years. The minimum annual rentals (exclusive of taxes, insurance and other occupancy charges) over the next five years are as follows:

1981	\$1,567,000
1982	\$1,570,000
1983	\$1,587,000
1984	\$1,604,000
1985	\$1,604,000

Auditors' Report

To the Shareholders of
Revelstoke Companies Ltd.

We have examined the consolidated balance sheet of Revelstoke Companies Ltd. as at December 31, 1980 and the consolidated statements of current and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the consolidated financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

February 27, 1981

Chartered Accountants

Report Of Management's Financial Responsibility

The management of Revelstoke Companies Ltd. is responsible for the integrity and objectivity of the accompanying financial statements, supplemental financial data, and other information in this annual report. The financial statements have been prepared in accordance with appropriate generally accepted accounting principles, which recognize the necessity of relying on some of our best estimates and judgments. The other information presented is consistent with the financial statements.

To discharge its responsibilities for financial reporting, management depends on the Company's systems of internal accounting control which are designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorizations. Management meets the objectives of internal accounting control on a cost-effective basis by prudent selection of personnel, adoption of appropriate policies, effective communication to personnel, establishment of an effective system of authorization and approval, and employment of a comprehensive internal audit program.

The Board of Directors discharges its responsibilities for the financial statements primarily through the activities of its Audit Committee composed solely of directors who are neither officers nor employees of the Company. This Committee meets with management to assure that it is meeting its responsibility concerning financial controls and systems. The Audit Committee also meets with the Company's independent auditors, Price Waterhouse & Co., both with and without the presence of management, to discuss the results of its audit, its opinion on internal accounting controls and the quality of financial reporting.

The financial statements have been audited by Price Waterhouse & Co., whose appointment was ratified by shareholder vote at an annual shareholders' meeting. The auditors' report expresses an informed judgment as to whether management's financial statements, considered in their entirety, present fairly in conformity with generally accepted accounting principles the Company's financial condition and results of operations.

Paul Curry

President

K. A. C. McDowell

Senior Vice President
Secretary Treasurer

10 Year Financial Review

For the Years Ended December 31

	1980	1979	1978	1977
Income Statement				
Total Sales	\$204,575,000	\$206,413,000	\$178,278,000	\$153,275,000
Pre-Tax Earnings	536,000	13,665,000	8,266,000	7,146,000
Income Taxes	(357,000)	5,533,000	3,263,000	2,853,000
Net Earnings	893,000	8,132,000	5,003,000	4,290,000
Cash Flow	6,120,000	11,758,000	8,921,000	6,198,000
Per Share (1)				
Sales	51.44	51.29	44.65	38.99
Earnings	0.20	1.99	1.22	1.06
Cash Flow	1.54	2.92	2.23	1.58
Dividends	0.34	0.30	0.20	0.13
Shareholders' Equity	9.60	9.74	8.05	7.00
Balance Sheet (2)				
Working Capital	19,457,000	27,657,000	23,114,000	24,015,000
Fixed Assets	41,671,000	36,061,000	30,714,000	25,716,000
Long Term Debt	19,201,000	21,141,000	19,588,000	19,734,000
Shareholders' Equity	38,960,000	41,071,000	34,292,000	29,908,000
Total Assets	115,403,000	103,150,000	95,650,000	82,048,000
Ratios (2)				
Current Assets to Current Liabilities	1.37	1.72	1.57	1.77
Equity Capital to Long Term Debt	2.03	1.94	1.75	1.52
Return on Assets	0.87%	8.50%	6.10%	5.53%
Return on Shareholders' Equity	2.18%	23.71%	16.73%	16.62%
Other Information				
Common Shares Outstanding (1)	3,872,755	4,024,493	4,024,493	3,989,493
Shareholders at Year End	840	898	862	883
Common Share Price Range - High (1)	\$ 10.75	\$ 13.38	\$ 11.13	\$ 9.25
- Low (1)	\$ 8.75	\$ 8.50	\$ 6.38	\$ 6.63
Employees at Year End	1,960	1,944	2,023	1,930

1976	1975	1974	1973	1972	1971
\$148,902,000	\$ 93,304,000	\$ 80,343,000	\$ 63,171,000	\$ 42,809,000	\$ 31,866,000
7,915,000	4,583,000	4,765,000	6,326,000	3,000,000	1,420,000
3,628,000	2,073,000	2,344,000	3,009,000	1,445,000	652,000
4,234,000	2,470,000	2,398,000	3,300,000	1,541,000	764,000
6,765,000	4,027,000	4,170,000	5,469,000	2,970,000	2,074,000
38.25	24.31	21.02	17.49	11.89	8.85
1.06	0.61	0.59	0.88	0.39	0.18
1.74	1.05	1.09	1.51	0.83	0.58
0.125	0.10	0.10	0.085	0.07	0.035
6.09	5.17	4.66	4.18	3.71	3.37
17,096,000	15,596,000	9,812,000	9,824,000	6,456,000	7,179,000
22,603,000	20,314,000	16,582,000	14,787,000	12,509,000	9,329,000
12,375,000	12,058,000	4,872,000	5,526,000	3,504,000	2,227,000
25,807,000	22,004,000	19,985,000	18,095,000	15,502,000	14,263,000
77,596,000	62,876,000	49,512,000	44,041,000	33,206,000	23,936,000
1.46	1.59	1.42	1.51	1.46	1.97
2.09	1.82	4.10	3.27	4.42	6.40
6.73%	4.99%	5.44%	9.94%	6.44%	3.53%
19.24%	12.36%	13.25%	21.29%	10.81%	5.55%
3,904,962	3,860,522	3,837,030	3,820,030	3,600,030	3,600,030
897	899	906	760	735	901
\$ 8.00	\$ 4.57	\$ 6.69	\$ 6.44	\$ 3.94	\$ 2.75
\$ 3.90	\$ 2.88	\$ 2.50	\$ 3.82	\$ 2.25	\$ 1.50
2,035	1,650	1,300	1,250	1,100	900

(1) The figures have been adjusted to reflect the 2 for 1 stock split in June 1976 and the 3 for 1 stock split in October 1972. Per share figures are calculated using the weighted average number of shares outstanding during each year, except for dividends and shareholders' equity per share, which are derived from the actual number of shares outstanding on dividend dates and at the year ends respectively. Earnings per share are calculated after deducting preferred dividends and shareholders' equity per share is calculated using the total of the common share capital and retained earnings.

(2) Fixed assets and long term debt include assets under capital leases and the related lease obligations respectively.

(3) Certain figures have been restated for the years 1972 through 1978, resulting from the capitalization of leases on a retroactive basis.

Company Officers And Directors

Officers

D. Steele Curry
President and Chief Executive Officer. Joined Revelstoke in that position in 1971. Age 40.

Gerald A. Berkhold
Executive Vice President. Joined Revelstoke in 1972. Age 42.

Keith A.C. McDowell
Senior Vice President and Secretary Treasurer. Joined Revelstoke in 1955. Age 53.

Gordon D. Roberts
Senior Vice President Operations. Joined Revelstoke in 1975. Age 43.

Victor R. Roskey
Senior Vice President Merchandising. Joined Revelstoke in 1948. Age 49.

Lionel E. Dobson
Vice President Merchandising. Joined Revelstoke in 1948. Age 52.

David A. Dupont
Vice President Stores. Joined Revelstoke in 1962. Age 38.

Lyle P. English
Vice President Merchandising. Joined Revelstoke in 1960. Age 38.

Frank R. Fortin
Vice President Lumber Operations. Joined Revelstoke in 1969. Age 53.

Neil E. Fraser
Vice President Merchandising and Distribution. Joined Revelstoke in 1977. Age 42.

Tom M. Graves
Vice President Information Services. Joined Revelstoke in 1976. Age 42.

Brian A. Harris
Vice President and Controller. Joined Revelstoke in 1959. Age 40.

Howard M. Sells
Vice President Concrete and Equipment. Joined Revelstoke in 1939. Age 62.

Board Of Directors

Gerald A. Berkhold *
Executive Vice President
Revelstoke Companies Ltd.
Calgary, Alberta

G. Mark Curry * †
Member of Corporate
Finance Department
Burns Fry Limited
Toronto, Ontario

D. Steele Curry * ‡:
President
Revelstoke Companies Ltd.
Calgary, Alberta

Neil B. Ivory †
President
Pembroke Management Ltd.
Montreal, Quebec

John E. Sands, C.A. * † ‡
Vice President
Trucena Investments Limited
Toronto, Ontario

John L. Schlosser †
President
Tri-Jay Investments Ltd.
Edmonton, Alberta

Daryl K. Seaman
Chairman and Chief
Executive Officer
Bow Valley Industries Ltd.
Calgary, Alberta

Brett F. Sine *
Former Chairman
Revelstoke Companies Ltd.
Calgary, Alberta

Robert L. Strickland †
Chairman of the Board
Lowe's Companies, Inc.
North Wilkesboro, North Carolina

* Members of the
Executive Committee

† Members of the
Audit Committee

‡ Members of the
Compensation Committee

: Chairman of the Board

Company Objectives

- To serve and satisfy an increasing number of customers.
- To provide the men and women in our Company with the opportunity for advancement and increased personal satisfaction.
- To demonstrate entrepreneurship, leadership and high standards throughout the Company.
- To participate in markets which experience above average growth.
- To monitor closely competitive market conditions.
- To keep our manner of doing business simple and economical.
- To strive for excellence as opposed to imitating others and accepting how things were done in the past without question.
- To increase earnings per share and achieve an acceptable return on shareholders' equity.
- To support community affairs where we are located on a basis consistent with the size of our Company.
- To have fun.

General Company Information

Company Ownership

Venture Funding Corporation Limited, a private investment holding company, owns just under 45% of the total outstanding common shares. Venture Funding is Canadian controlled and not a "noneligible person" as defined by the Foreign Investment Review Act of the Canadian federal government. Another 8% of Revelstoke's common shares are held by the principals of Venture Funding as well as other members of management. The remaining shares are held by Canadian institutional and individual shareholders with the exception of approximately 1% of the shares which are held by U.S. and foreign shareholders.

Parent Company Incorporation

Province of Alberta, Canada

Listing of Common and Preferred Shares

The Toronto Stock Exchange

Transfer Agents and Registrars

Common Shares
Montreal Trust Company
Calgary, Toronto, Montreal and Vancouver

Preferred Shares

Canada Permanent Trust Company
Calgary, Toronto, Montreal and Vancouver

Auditors

Price Waterhouse & Co.

Head Office

Revelstoke Companies Ltd.
Box 2501
508 - 24 Avenue S.W.,
Calgary, Alberta T2P 2N2
Phone (403) 266-6071
(after June 15, 1981, (403) 260-0666)

Annual Meeting

The Annual Meeting of Shareholders will be held at the Calgary Convention Centre, Glenview Room, 120 - 9th Avenue S.E., Calgary, Alberta on May 14, 1981 at 9:30 a.m.

Acknowledgements

The design and production of the annual report were primarily the responsibility of Craig Parr, Revelstoke's Marketing Manager, and Horst Heimbach of Burnand Printing Company Ltd.

The annual report was printed by Burnand Printing Company Ltd., Calgary Alberta.

The cartoon on page seven was drawn by George Booth of Stony Brook, New York.

Stock Market And Other Per Share Information

Common Stock Listed on Toronto Stock Exchange Symbol REV

<u>FISCAL QUARTERS</u>		<u>STOCK PRICE</u>		<u>EARNINGS PER SHARE</u>	<u>DIVIDENDS PER SHARE</u>
		<u>HIGH</u>	<u>LOW</u>		
1980	4th QUARTER	\$ 9-7/8	\$8-3/4	\$ 0.19	\$0.17
	3rd QUARTER	10-1/4	9-1/8	0.33	
	2nd QUARTER	9-7/8	9	(0.03)	0.17
	1st QUARTER	10-3/4	9	(0.29)	
1979	4th QUARTER	10	8-1/2	0.60	0.15
	3rd QUARTER	13-3/8	9	1.20	
	2nd QUARTER	11-1/4	9-3/4	0.35	0.15
	1st QUARTER	12	9-1/2	(0.16)	

Common share dividends are paid semi-annually on April 1 and October 1.

